CODES AND PRACTICES (OECD PRINCIPLES)

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The OECD Principles

- To develop a set of corporate governance standards and guidelines, the OECD Council met at ministerial level on 27-28 April 1998. Consequently the OECD principles of corporate governance were framed and endorsed by the OBCD Council. in its meeting on 26-27 May 1999.

- The principles tries –
- - to ensure the shareholders rights.
- - to ensure the equitable treatment of all shareholders. to ensure the role of stakeholders
- - to ensure that timely and accurate disclosure is made on all material matters regarding the Corporation, including the financial situation, performance, ownership and governance ofthe company.
- - to ensure the strategic guidance of the company the effective monitoring of management by the board and the board's accountability to the company and the shareholders

FEATURES OF OECD PRINCIPLES

- The principles focus on publicly traded companies but they are applicable for non-traded companies also.
- The main features ofOECD principles are:
- Shareholders have the basic rights to secure the method of ownership. They can buy, sell or transfer the shares. They can obtain relevant information on the corporation on a timely and regular basis
- Shareholders have the basic rights to participate and vote in general shareholder meetings. Thus they should have the opportunity to fulfill these rights. They can vote by proxy

- Shareholders have the basic right to share in the profit of the Corporation.
- Shareholders have the basic right to elect the members of the board.
- Shareholders have the right to participate and obtain relevant information about fundamental corporate changes.
- Insider trading and abuse self dealing should be prohibited.

- Stakeholders should have the effective redress for violation of their rights.
- There should be mechanisms which enhance the performance of stakeholders.
- Stakeholders should have access to relevant information.
- The Board should ensure the integrity of the corporation accounting and financial reporting systems.

- The Board should monitor the effectiveness of the governance practice.
- The Board especially non-executive board members should be independent in judgment and decision making.
- Board members should devote sufficient time to their responsibilities. They should have · accurate, timely and relevant information.

- Board members should act in the interests of the company, shareholders and stakeholders.
- The Board should treat all shareholders fairly.
- The Board should select, compensate, monitor and when necessary, replace key executives.
- The Board should review key executives and Board remuneration.
- The Board should monitor and manage conflicts of interest of management, Board members and shareholders.